

Blue Grass Energy Cooperative Corporation

Touchstone Energy Home Program

Purpose

The Touchstone Energy Home Program ("Program") is a conservation program that encourages the sale of more energy-efficient homes. It is based on *Energy Star* standards for homes, a nationally recognized symbol of energy efficiency and quality developed and operated jointly by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

Availability

This program is available in all service territory served by Blue Grass Energy Cooperative Corporation.

Eligibility

To qualify as a Touchstone Energy Home under this program, the participating home must be located in the service territory of Blue Grass Energy Cooperative Corporation and meet the *Energy Star* standards by including additional floor, wall and ceiling insulation, double pane windows and an electric heat pump.

Rebate

East Kentucky Power Cooperative, Inc. ("EKPC") and Blue Grass Energy Cooperative Corporation will provide an incentive to retail customers to build or purchase a Touchstone Energy/Energy Star home. EKPC will offer a \$250 rebate for a Touchstone Energy home. Blue Grass Energy Cooperative Corporation will match the value of the EKPC incentive and provide a free energy rating using the Home Energy Rating System (HERS) to each qualifying participant. A HERS rating is valued at \$450 to \$750.

A home energy rating involves an analysis of a home's construction plans and onsite inspections. Based on the home's plans, the Home Energy Rater uses an energy-efficiency software package to perform an energy analysis of the home's design. This analysis yields a projected, pre-construction HERS index. Upon completion of the plan review, the rater will work with the builder to identify the energy efficiency improvements needed to ensure the house meets ENERGY STAR performance guidelines. The rater then conducts onsite inspections, typically including a blower door test (to test the leakiness of the house) and a duct test (to test the leakiness of the ducts). Results of these test, along with inputs derived from the plan review, are used to generate the HERS index score for the home.

The HERS index is a scoring system established by the Residential Energy Services Network (RESNET) in which a home built to the specifications of the HERS Reference Home (based on the 2004 International Energy Conservation Code) scores a HERS Index of 100, while a net zero energy home scores a HERS Index of 0. The lower a home's HERS Index, the more energy efficient it is in comparison to the HERS Reference Home. Each 1-point decrease in the HERS Index corresponds to a 1% reduction in energy consumption compared to the HERS Reference Home. Thus a home with a HERS Index of 85 is 15% more energy efficient than the HERS Reference Home and a home with a HERS Index of 80 is 20% more energy efficient. Blue Grass Energy Cooperative Corporation has one certified HERS Rater on staff.

DATE OF ISSUE November 24, 2009 DATE EFFECTIVE: January 1, 2010

ISSUED BY J. Donald McArthur TITLE Vice President, Financial Services & CFO

Issued by authority of an Order of the Public Service Commission of Kent
Case No. 2009-00250 Dated November 6, 2009

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SECTION 9 (1)

By [Signature]
Executive Director

Blue Grass Energy Cooperative Corporation

Touchstone Energy Home Program

Annual Reports

Blue Grass Energy Cooperative Corporation, in coordination with East Kentucky Power Cooperative, Inc., will submit annual reports on the Program that contain the number of participants, the annual costs, including the costs of the rebates, and the status of the rebate provision.

Term


The Touchstone Energy Home Program will remain in effect through 2011. If Blue Grass Energy Cooperative Corporation should decide to continue the entire program beyond 2011, an application for approval from the Kentucky Public Service Commission will be filed, in coordination with EKPC, 6 months prior to the date of continuation.

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